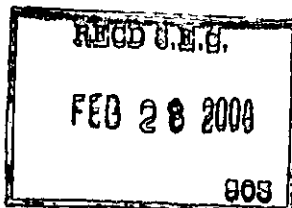




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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART IIIOMB APPROVAL
OMB Number: 3235-0123
Expires: February 28, 2010
Estimated average burden
hours per response..... 12.00

SEC FILE NUMBER

8- 43627

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: SPECTRUM CAPITAL, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

6910 PACIFIC STREET, SUITE 214

(No. and Street)

OMAHA

(City)

NE

(State)

68106

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MR. ROBERT GROW, PRESIDENT

(402) 333-1888

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

NICHOLS, RISE & COMPANY, L.L.P.

(Name - if individual, state last, first, middle name)

705 DOUGLAS STREET, SUITE 502, SIOUX CITY

(Address)

(City)

IA

(State)

51101

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 21 2008

THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of
information contained in this form are not required to respond
unless the form displays a currently valid OMB control number.

TA
3/18

OATH OR AFFIRMATION

I, ROBERT C. GROW, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SPECTRUM CAPITAL, INC., as of DECEMBER 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



A handwritten signature of Robert C. Grow in dark ink.

Signature

PRESIDENT

Title

A handwritten signature of Linda Gillespie in dark ink.
Notary Public

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SPECTRUM CAPITAL, INC.

I N D E X

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Statement of Financial Condition	3
Statement of Income	4
Statement of Stockholder's Equity	5
Statement of Cash Flows	6
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Supplemental Information	
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Schedule of Non-Allowable Assets	
Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5 ...	

INDEPENDENT AUDITOR'S REPORT

**Nichols, Rise &
Company, L.L.P.**

Certified Public Accountants and Consultants

W. F. Sibley, CPA
R. L. Singer, CPA
D. L. Lacey, CPA
S. B. Bieber, CPA
C. D. Merry, CPA
R. W. Grenko, CPA
L. M. Shoemaker,
CPA, CMA

E. C. Nichols, CPA
(1916-2003)
C. L. Rise, CPA
(1921-2003)

L. J. Tuttle, CPA
S. R. Goodwin, CPA
A. E. Hill, CPA
A. J. Walchek, CPA
R. R. Ericson, CPA
L. K. Beecher, CPA
B. J. Kooiker, CPA
P. M. Riemer, CPA
S. E. Boden
J. E. Maisie
D. L. Sands
J. A. Theisen
J. A. Perez

P. K. Peters
C. R. Karrer
E. J. Schuberl

Member of AICPA
Division for
Certified Public
Accounting Firms

To the Board of Directors and Stockholders
Spectrum Capital, Inc.

We have audited the accompanying statement of financial condition of Spectrum Capital, Inc. as of December 31, 2007, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit of the financial statements provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spectrum Capital, Inc. at December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental information, as listed in the index, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nichols, Rise & Company, L.L.P.

Sioux City, Iowa
February 21, 2008

SPECTRUM CAPITAL, INC.
STATEMENT OF FINANCIAL CONDITION

December 31, 2007

ASSETS

Current Assets:

Cash	\$ 139,304	
Commissions Receivable	109,915	
Receivable from Clearing Organization	18,913	
Other Receivables	16,883	
Deposit with Clearing Organization	100,000	
Prepaid Expenses	<u>33,711</u>	
		\$ 418,726

Furniture and Equipment, Net 16,308

Goodwill 243,000

Total Assets \$ 678,034

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities:

Payable to Clearing Organization	\$ 205	
Accounts Payable	3,511	
Commissions Payable	<u>254,457</u>	
		\$ 258,173

Stockholder's Equity:

Common Stock	15,000	
Paid-In Capital	448,000	
Retained Earnings (Deficit)	<u>(43,139)</u>	
		<u>419,861</u>

Total Liabilities and Stockholder's Equity \$ 678,034

SPECTRUM CAPITAL, INC.
STATEMENT OF INCOME

Year Ended December 31, 2007

Revenues:

Commissions	\$ 3,726,995	
Transaction Fees	209,594	
Miscellaneous	111	
Interest	<u>22,007</u>	\$ 3,958,707

Operating Expenses:

Commission Expense	3,285,696	
Management Fee	81,434	
Transaction Clearing Expense	62,621	
Salaries, Payroll Taxes, and Benefits	294,729	
Insurance, Net of Representatives' Reimbursements	103	
Depreciation	9,953	
Professional Fees	24,106	
Office	31,876	
Licensing Fees	24,537	
Computer/Data Communications	43,672	
Rent	51,289	
Sales, Training, Marketing	20,999	
Other	<u>57,230</u>	<u>3,988,245</u>

Net Loss

\$ (29,538)

SPECTRUM CAPITAL, INC.
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

Year Ended December 31, 2007

	Issued Shares	Common Stock	Paid-In Capital	Retained Earnings	Stockholder's Equity
December 31, 2006	100	\$ 15,000	\$ 448,000	\$ (13,601)	\$ 449,399
Net Loss	_____	_____	_____	(29,538)	(29,538)
December 31, 2007	<u>100</u>	<u>\$ 15,000</u>	<u>\$ 448,000</u>	<u>\$ (43,139)</u>	<u>\$ 419,861</u>

Common Stock:

Par Value - None
Authorized 20,000 Shares

SPECTRUM CAPITAL, INC.
STATEMENT OF CASH FLOWS

Year Ended December 31, 2007

Cash Flows from Operating Activities:

Net Loss	\$ (29,538)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:	
Depreciation	9,953
Changes in Operating Assets and Liabilities:	
Receivables	140,461
Prepaid Expenses	(13,236)
Accounts and Commissions Payable	<u>(95,155)</u>

Net Cash Provided by Operating Activities \$ 12,485

Cash Flows Used by Investing Activities:

Purchase of Equipment	<u>(4,192)</u>
-----------------------------	----------------

Net Change in Cash 8,293

Cash - Beginning of Year	<u>131,011</u>
--------------------------------	----------------

Cash - December 31, \$ 139,304

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION AND OPERATIONS

Spectrum Capital, Inc. is an introducing broker-dealer registered with the National Association of Securities Dealers (NASD). The Company is engaged in the sale of mutual funds, stocks, bonds, variable annuities, and variable universal life insurance. The Company executes and clears trades through an unaffiliated brokerage firm on a fully disclosed basis.

The Company is a wholly owned subsidiary of Premier Financial, Inc.

ACCOUNTING POLICIES

Accounting Method

The financial statements are prepared on the accrual basis of accounting. Commission income is recorded on a trade-date basis.

Depreciation and Amortization

Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the assets.

Income Taxes

The Company is included in the consolidated income tax return of its parent company. No provision for income taxes has been made in the accompanying financial statements because the Company has elected to be taxed as a "qualified sub-chapter S subsidiary." Under this election, the Company's net income is reported by the shareholders of the parent company on their individual returns.

Use of Estimates

The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America and, accordingly, include amounts that are based on management's estimates and judgments.

FURNITURE AND EQUIPMENT, NET

Furniture and equipment are as follows:

	<u>Estimated Lives</u>	<u>Cost</u>	<u>Net Investment</u>
Computer Equipment	5 years	\$ 40,858	\$ 7,653
Office Furniture and Equipment	7 years	18,822	8,033
Computer Software	3-5 years	<u>28,260</u>	<u>622</u>
		<u>\$ 87,940</u>	<u>\$ 16,308</u>

Depreciation expense is \$9,953 for 2007. Accumulated depreciation at December 31, 2007, is \$71,632.

GOODWILL

Goodwill arises from the purchase of assets from the former parent company. The purchase cost in excess of the fair value of tangible and identifiable intangible assets is recorded as goodwill. SFAS No. 142, "Goodwill and Other Intangible Assets," requires that goodwill not be amortized, but that it be reviewed annually for impairment. If, based on these reviews, goodwill is found to be impaired, the carrying value will be adjusted through a charge to earnings. Management believes that there has been no impairment of goodwill.

Cost and Carrying Value	\$ <u>243,000</u>
-------------------------	-------------------

NET CAPITAL AND NET CAPITAL REQUIREMENT

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (SEC Rule 15c3-1), which requires maintenance of minimum net capital of \$50,000 and requires that the ratio of aggregate indebtedness to net capital shall not exceed 15 to 1. At December 31, 2007, the Company had net capital of \$103,535 and a net capital ratio of 2.5 to 1.

RELATED-PARTY TRANSACTIONS

The Company paid its parent for the following items:

Management Fee	\$ 81,434
Reimbursement of Employee Benefits	44,253
Reimbursement of Insurance	17,064
Reimbursement of Other Expenses	2,326

The parent paid the Company for the following item:

Reimbursement of Office Wages	\$ 20,735
Reimbursement of Insurance	15,066

The Company paid its sole shareholder for the following item:

Commissions	\$ 24,073
-------------------	-----------

OPERATING LEASES

The Company leases its office space under a lease ending May 31, 2010, which calls for monthly rent of \$3,234, increasing to \$3,443 in December 2008. It also leases office equipment for a total of \$801 per month under leases ending in 2008 and 2012.

Minimum lease payments are as follows:

2008	\$ 47,903
2009	46,558
2010	22,457
2011	5,242
2012	4,805

Total rent expense for all operating leases is \$51,289 in 2007.

RETIREMENT PLAN

The Company has a Savings Incentive Match Plan for Employees of Small Employers (SIMPLE). Under the plan, the employee may make contributions of up to \$10,000 annually. The Company has chosen to make non-elective contributions of 2%. Expense under this plan was \$6,789 for the year ended December 31, 2007.

FINANCIAL INSTRUMENTS AND CREDIT CONCENTRATION RISKS

The Company utilizes a carrying broker to execute and settle securities transactions on behalf of the Company's customers. In the event that a Company customer is unable to fulfill his contractual obligations, the Company is required to indemnify the carrying broker for any loss suffered.

Bank balances often exceed the FDIC insured limit of \$100,000.

Approximately 30% of the Company's revenue comes from a group of affiliated banks. The agreement with these banks expires in July 2009.

SUPPLEMENTAL INFORMATION

SPECTRUM CAPITAL, INC.

RECONCILIATION OF NET CAPITAL AND RESERVE REQUIREMENT COMPUTATIONS

December 31, 2007

Reconciliation of Net Capital

Net Capital Per Unaudited FOCUS Report - December 31, 2007 \$ 103,535

Audit Adjustments:

None

Net Capital Per Audited FOCUS Report - December 31, 2007 \$ 103,535

Reserve Requirement

The Company is exempt from the reserve requirements under rule 15c-3-3(k)(2) of the Securities and Exchange Commission.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	February 28, 2010
Estimated average burden hours per response.....	12.00

Form
X-17A-5

FOCUS REPORT
(Financial and Operational Combined Uniform Single Report)
PART IIA 12

(Please read instructions before preparing Form.)

This report is being filed pursuant to (Check Applicable Block(s)):

1) Rule 17a-5(a) 16

2) Rule 17a-5(b) 17

3) Rule 17a-11 18

4) Special request by designated examining authority 19

5) Other X 26 17a-5(d)

NAME OF BROKER-DEALER

SEC FILE NO.

8-43627 14

SPECTRUM CAPITAL, INC. 13

FIRM I.D. NO.

28303 15

ADDRESS OF PRINCIPAL PLACE OF BUSINESS (Do Not Use P.O. Box No.)

6910 PACIFIC STREET, SUITE 214 20

(No. and Street)

FOR PERIOD BEGINNING (MM/DD/YY)

01/01/07 24

OMAHA 21 NE 22 68106 23

(City)

(State)

(Zip Code)

AND ENDING (MM/DD/YY)

12/31/07 25

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

(Area Code) — Telephone No.

ROBERT C. GROW, PRESIDENT 30

(402) 333-1888 31

NAME(S) OF SUBSIDIARIES OR AFFILIATES CONSOLIDATED IN THIS REPORT:

OFFICIAL USE

32 33

34 35

36 37

38 39

DOES RESPONDENT CARRY ITS OWN CUSTOMER ACCOUNTS? YES 40 NO X 41

CHECK HERE IF RESPONDENT IS FILING AN AUDITED REPORT X 42

EXECUTION:

The registrant/broker or dealer submitting this Form and its attachments and the person(s) by whom it is executed represent hereby that all information contained therein is true, correct and complete. It is understood that all required items, statements, and schedules are considered integral parts of this Form and that the submission of any amendment represents that all unamended items, statements and schedules remain true, correct and complete as previously submitted.

Dated the _____ day of _____ 20 ____

Manual signatures of:

1) _____
Principal Executive Officer or Managing Partner

2) _____
Principal Financial Officer or Partner

3) _____
Principal Operations Officer or Partner

ATTENTION — Intentional misstatements or omissions of facts constitute Federal Criminal Violations. (See 18 U.S.C. 1001 and 15 U.S.C. 78f(a))

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (If individual, state last, first, middle name)

NICHOLS, RISE & COMPANY, L.L.P.

70

ADDRESS

705 DOUGLAS STREET,
SUITE 502

71

SIOUX CITY

72

IOWA

73

51101

74

Number and Street

City

State

Zip Code

CHECK ONE

☒ Certified Public Accountant

75

☐ Public Accountant

76

☐ Accountant not resident in United States
or any of its possessions

77

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WORK LOCATION	REPORT DATE MM/DD/YY	DOC. SEQ. NO.	CARD				
50	51	52	53				

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

N3

100

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

as of (MM/DD/YY) 12/31/07

SEC FILE NO. 8-43627

Consolidated

Unconsolidated

X

99

98

198

199

	Allowable	Non-Allowable	Total
1. Cash	\$ 139,304 200		\$ 139,304 750
2. Receivables from brokers or dealers:			
A. Clearance account	18,913 295		
B. Other	100,000 300	\$ 550	118,913 810
3. Receivable from non-customers	103,491 355	23,307 600	126,798 830
4. Securities and spot commodities owned at market value:			
A. Exempted securities	418		
B. Debt securities	419		
C. Options	420		
D. Other securities	424		
E. Spot commodities	430		850
5. Securities and/or other investments not readily marketable:			
A. At cost \$	130		
B. At estimated fair value	440	610	860
6. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:			
A. Exempted securities \$	150		
B. Other securities \$	160		
7. Secured demand notes:			
Market value of collateral:			
A. Exempted securities \$	170		
B. Other securities \$	180		
8. Memberships in exchanges:			
A. Owned, at market \$	190		
B. Owned, at cost		650	
C. Contributed for use of the company, at market value		660	900
9. Investment in and receivables from affiliates, subsidiaries and associated partnerships	480	670	910
10. Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization	490	16,308 680	16,308 920
11. Other assets	535	276,711 735	276,711 930
12. TOTAL ASSETS	\$ 361,708 540	\$ 316,326 740	\$ 678,034 940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

as of 12/31/07

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

LIABILITIES AND OWNERSHIP EQUITY

Liabilities	A.I. Liabilities	Non-A.I. Liabilities	Total
13. Bank loans payable	\$ 1045	\$ 1255 ¹³	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	205 1114	1315	205 1560
B. Other	1115	1305	1540
15. Payable to non-customers	1155	1355	1610
16. Securities sold not yet purchased, at market value		1360	1620
17. Accounts payable, accrued liabilities, expenses and other	257,968 1205	1385	257,968 1685
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211 ¹²	1390 ¹⁴	1700
19. E. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders ¹⁵ \$ 970			
2. Includes equity subordination (15c3-1(d)) of ... \$ 980		1410	1720
B. Securities borrowings, at market value			
from outsiders \$ 990		1420	1730
C. Pursuant to secured demand note collateral agreements			
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of ... \$ 1010		1430	1740
D. Exchange memberships contributed for use of company, at market value			
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
20. TOTAL LIABILITIES	\$ 258,173 1230	\$ 1450	\$ 258,173 1760
Ownership Equity			
21. Sole Proprietorship			1770
22. Partnership (limited partners)	11 (\$ 1020)		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock		15,000	1792
C. Additional paid-in capital		448,000	1793
D. Retained earnings		(43,139)	1794
E. Total			1795
F. Less capital stock in treasury			1796
24. TOTAL OWNERSHIP EQUITY		\$ 419,861	1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY		\$ 678,034	1810

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

as of 12/31/07

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	419,861	3480
2. Deduct ownership equity not allowable for Net Capital	19	()	3490
3. Total ownership equity qualified for Net Capital		419,861	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$		3530
6. Deductions and/or charges:			
A. Total non-allowable assets from			
Statement of Financial Condition (Notes B and C)	17 \$	316,326	3540
B. Secured demand note delinquency			3590
C. Commodity futures contracts and spot commodities –			
proprietary capital charges			3600
D. Other deductions and/or charges			3610
7. Other additions and/or allowable credits (List)		316,326	3620
8. Net capital before haircuts on securities positions	20 \$		3630
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):			3640
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities	18		3735
2. Debt securities			3733
3. Options			3730
4. Other securities			3734
D. Undue Concentration			3650
E. Other (List)			3736
10. Net Capital	\$	103,535	3740
			3750

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER **SPECTRUM CAPITAL, INC.**

as of **12/31/07**

COMPUTATION OF NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{1}{2}$ % of line 19)	\$	17,211	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	50,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	50,000	3760
14. Excess net capital (line 10 less 13)	\$	53,535	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	77,717	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	258,173	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	
18. Total aggregate indebtedness	\$	258,173	3840
19. Percentage of aggregate indebtedness to net capital (line 18 + by line 10)	%	249	3850
20. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%	0	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

21. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3970
22. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
23. Net capital requirement (greater of line 21 or 22)	\$		3760
24. Excess capital (line 10 less 23)	\$		3910
25. Net capital in excess of the greater of:			
A. 5% of combined aggregate debit items or \$120,000	\$		3920

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 $\frac{1}{2}$ % of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

For the period (MMDDYY) from 01/01/07 3932 to 12/31/07 3933
Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:		
a. Commissions on transactions in exchange listed equity securities executed on an exchange	\$	3935
b. Commissions on listed option transactions	25	3938
c. All other securities commissions		72,469 3939
d. Total securities commissions		72,469 3940
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange		3945
b. From all other trading		3949
c. Total gain (loss)		3950
3. Gains or losses on firm securities investment accounts		3952
4. Profit (loss) from underwriting and selling groups	28	3955
5. Revenue from sale of investment company shares		3,654,637 3970
6. Commodities revenue		3990
7. Fees for account supervision, investment advisory and administrative services		3975
8. Other revenue		231,601 3995
9. Total revenue	\$	3,958,707 4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder officers		4120
11. Other employee compensation and benefits		294,729 4115
12. Commissions paid to other broker-dealers		4140
13. Interest expense		4075
a. Includes interest on accounts subject to subordination agreements	4070	
14. Regulatory fees and expenses		24,537 4195
15. Other expenses		3,668,979 4100
16. Total expenses	\$	3,988,245 4200

NET INCOME

17. Income (loss) before Federal income taxes and items below (Item 9 less Item 16)	\$	(29,538) 4210
18. Provision for Federal income taxes (for parent only)	28	4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4222
a. After Federal income taxes of	4338	
20. Extraordinary gains (losses)		4224
a. After Federal income taxes of	4239	
21. Cumulative effect of changes in accounting principles		4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$	(29,538) 4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordinary items	\$	4211
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FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

For the period (MMDDYY) from 01/01/07 to 12/31/07

STATEMENT OF CHANGES IN OWNERSHIP EQUITY (SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION)

1. Balance, beginning of period	\$	449,399	4240
A. Net income (loss)		(29,538)	4250
B. Additions (Includes non-conforming capital of	\$	4262	4260
C. Deductions (Includes non-conforming capital of	\$	4272	4270
2. Balance, end of period (From item 1800)	\$	419,861	4290

STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED TO CLAIMS OF GENERAL CREDITORS

3. Balance, beginning of period	\$	0	4300
A. Increases			4310
B. Decreases			4320
4. Balance, end of period (From item 3520)	\$	0	4330

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART IIA

BROKER OR DEALER

SPECTRUM CAPITAL, INC.

as of 12/31/07

EXEMPTIVE PROVISION UNDER RULE 15c3-3

24. If an exemption from Rule 15c3-1 is claimed, identify below the section upon which such exemption is based (check one only)

- | | | |
|--|------|------|
| A. (k)(1) — \$2,500 capital category as per Rule 15c3-1 | 4550 | |
| B. (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | 4560 | |
| C. (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis. | | |
| Name of clearing firm ³⁰ PERSHING, L. L. C. 4335 | X | 4570 |
| D. (k)(3) — Exempted by order of the Commission (include copy of letter) | | 4580 |

Ownership Equity and Subordinated Liabilities maturing or proposed to be withdrawn within the next six months and accruals, (as defined below), which have not been deducted in the computation of Net Capital.

Type of Proposed Withdrawal or Accrual (See below for code)	Name of Lender or Contributor	Insider or Outsider? (In or Out)	Amount to be Withdrawn (cash amount and/or Net Capital Value of Securities)	(MMDDYY) Withdrawal or Maturity Date	Expect to Renew (Yes or No)
31 4600	4601	4602	4603	4604	4605
32 4610	4611	4612	4613	4614	4615
33 4620	4621	4622	4623	4624	4625
34 4630	4631	4632	4633	4634	4635
35 4640	4641	4642	4643	4644	4645
			Total \$ ³⁶ 0	4699	

OMIT PENNIES

Instructions: Detail Listing must include the total of items maturing during the six month period following the report date, regardless of whether or not the capital contribution is expected to be renewed. The schedule must also include proposed capital withdrawals scheduled within the six month period following the report date including the proposed redemption of stock and anticipated accruals which would cause a reduction of Net Capital. These anticipated accruals would include amounts of bonuses, partners' drawing accounts, taxes, and interest on capital, voluntary contributions to pension or profit sharing plans, etc., which have not been deducted in the computation of Net Capital, but which you anticipate will be paid within the next six months.

WITHDRAWAL CODE:	DESCRIPTIONS
1.	Equity Capital
2.	Subordinated Liabilities
3.	Accruals

SPECTRUM CAPITAL, INC.
SCHEDULE OF NON-ALLOWABLE ASSETS

December 31, 2007

Non-Allowable Assets:

Receivables from Non-Customers:

Non-Allowable Commissions by Date or Product Type	\$ 32,761	
Less Related Commissions Payable	(26,337)	
Other Receivables	<u>16,883</u>	\$ 23,307

Furniture and Equipment, Net		16,308
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Other Assets:

Goodwill	243,000	
Prepaid Expenses	<u>33,711</u>	
		<u>276,711</u>

Total Non-Allowable Assets		<u>\$ 316,326</u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL REQUIRED BY SEC RULE 17a-5**

***Nichols, Rise &
Company, L.L.P.***

Certified Public Accountants and Consultants

*W. F. Sibley, CPA
R. L. Stinger, CPA
D. L. Lacey, CPA
S. B. Bieber, CPA
C. D. Merry, CPA
R. W. Grenko, CPA
L. M. Shoemaker,
CPA, CMA*

*E. C. Nichols, CPA
(1916-2003)
C. L. Rise, CPA
(1921-2003)*

To the Board of Directors
Spectrum Capital, Inc.

*L. J. Tuttle, CPA
S. R. Goodwin, CPA
A. E. Hill, CPA
A. J. Walchek, CPA
R. R. Ericson, CPA
L. K. Beecher, CPA
B. J. Kooiker, CPA
P. M. Riemer, CPA
S. E. Boden
J. E. Maise
D. L. Sands
J. A. Theisen
J. A. Perez*

*P. K. Peters
C. R. Karrer
E. J. Schubert*

*Member of AICPA
Division for
Certified Public
Accounting Firms*

In planning and performing our audit of the financial statements of Spectrum Capital, Inc. (the Company), as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the board of directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Nichols, Rice & Company, LLP

Sioux City, Iowa
February 21, 2008

END